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Biden Brings Fight for Servicemember Financial Protections to Washington

Testimony to U.S. Senate Banking Committee highlights progress & continuing challenges

Washington D.C. – At a hearing on consumer financial protections for servicemembers, veterans, and their families held today by the U.S. Senate Committee on Banking, Housing, and Urban Affairs, Attorney General Beau Biden offered his perspective as both his state’s chief law enforcement officer and consumer protector and also as a member of the Delaware National Guard’s Judge Advocate General’s Corps. Biden’s testimony detailed enhanced protections for servicemembers secured earlier this year as part of the \$25 billion national mortgage foreclosure settlement between 49 state attorneys general, the country’s five largest servicing banks and the federal government. He also noted areas where more work is needed.

“The U.S. housing crisis has hit every community in this nation, and it has hit military families especially hard,” said Biden. “They are often backed into financial corners by the realities of military life and a decade of constant deployment. Because so many of the financial obstacles faced by military families cross state lines, we must work collaboratively on state and federal levels to be most effective. I was grateful for the opportunity to participate in today’s hearing and look forward to the continued progress we can make together.”

Biden testified how changes made to the Servicemembers Civil Relief Act (SCRA) under the multistate settlement cover several areas of concern to military families, including complications associated with Permanent Change of Station (PCS) orders, mortgages taken out after beginning military service, and ways to mitigate losses often incurred as a result of the demands of military life. Specifically, he noted that the settlement:

- Establishes that PCS orders must now be considered when banks and servicers are making hardship determinations about short sales, deeds in lieu, and loan modifications. Additional protections guard against inaccurate reporting of servicemembers to credit reporting agencies for using loss mitigation options in these circumstances.
- Increases servicemember access to loss mitigation options, including mandating that information and contact with SCRA-trained employees is readily available, and that servicers go beyond the requirements of the SCRA to ensure that more borrowers who are entitled to assistance before foreclosure receive it.
- States that homes of active duty servicemembers deployed in combat areas cannot be foreclosed on in most instances, even if the debt was incurred after they entered military service. This was a

significant expansion beyond the terms of the SCRA, which only provides this protection for debt incurred before entering the armed forces.

Biden also detailed additional settlement provisions negotiated by the USDOJ Civil Rights Division that direct payments to servicemembers who experienced wrongful foreclosures and interest charged in excess of the six percent allowed by the SCRA. These payments will come from funds secured on top of the \$25 billion settlement amount.

Biden's testimony covered other consumer financial challenges facing servicemembers, veterans and their families, as well, and noted the need for ongoing coordinated efforts to address them. Biden discussed for-profit schools and their often "aggressive marketing" toward servicemembers in order to exploit veterans' educational benefit funding via loopholes in the country's Higher Education Act. To remedy this, Biden was one of 22 attorneys general who called on Congress last month to require that GI Bill and Veteran's Assistance educational benefits be subject to the 90/10 rule, which prohibits for-profit colleges from receiving more than 90 percent of their revenue from public Department of Education (Title IV) funding sources.

Also testifying at today's hearing were Colonel Paul Kantwill, Director of Legal Policy in the Office of the U.S. Department of Defense Undersecretary for Personnel and Readiness, and Mrs. Holly Petraeus, Assistant Director for Servicemember Affairs at the U.S. Consumer Financial Protection Bureau. Attorney General Biden, Col. Kantwill, and Mrs. Petraeus all offered testimony regarding the need to vigilantly monitor the activities of banks and servicers, as well as the responsibility of all who assist servicemembers to do a better job of educating military families about making good consumer financial choices, and about the resources available to help them do so.

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